

Tax Update

What's new for 2009

EPR COQUITLAM

Professional Accountants & Business Advisors

Home Renovation Tax Credit

Planning any renovations to your home this year? The Federal Government announced a new non-refundable tax credit for 2009 that will allow homeowners to claim up to a maximum of **\$1,350** in tax credits for eligible renovation expenses to their principal residence.

This includes houses, cottages and condominium units that are owned for personal, and not rental or recreational use. (CRA considers a principal residence one that is owned and ordinarily inhabited by the individual). Taxpayers will be able to claim the Home Renovation Credit when filing their 2009 tax return.

The Home Renovation Credit applies to renovation expenses for work performed, or materials purchased between **January 27, 2009 and February 1, 2010**.

To claim the maximum tax credit of \$1,350, eligible expenses must be greater than \$1,000 but not more than \$10,000 and be supported with receipts, invoices and/or agreements that clearly identify the vendor/contractor, date, location, type and quantity of goods purchased or services provided.

Renovation costs for projects such as finishing a basement, replacing a roof, furnace, windows or water heater, interior or exterior painting, laying new sod, or re-modeling a kitchen or bathroom will be eligible for the credit along with expenses such as building permits, professional services, or equipment rentals.

Routine repairs and maintenance do not qualify, neither do purchases of furniture, appliances, audio-visual electronics or construction equipment. Before you buy, please visit the CRA website at www.cra-arc.gc.ca for examples of eligible expenses.

A family will only be allowed to claim a single credit. However, if two or more families share the ownership of an eligible dwelling they may each be eligible for their own separate credit (each up to \$1,350), calculated on their respective expenses.

In cases where individuals earn business or rental income from part of their principal residence (i.e. you rent out your basement or have an office-in-the-home), they will be allowed to claim the HRTC credit for expenses made to the **personal-use** areas of the residence only.

First-Time Homebuyers Tax Credit

Buying your first house or condominium this year? You may be eligible to claim a new tax credit aimed at reducing the burden of ownership. The **\$750** tax credit is available to qualifying individuals purchasing an eligible home with a closing date **after January 27, 2009**.

To qualify, individuals must not have owned a home in the year of purchase or any of the 4 preceding years. All forms of housing qualify – existing homes, those under construction, townhouses, duplexes, mobile homes, apartments and housing co-ops. Spouses or common-law partners can claim the credit individually or it can be shared, but the total of both claims cannot exceed \$750.

CRA indicates that this tax credit will be in place for subsequent years. The tax credit will be claimed when filing your personal tax return.

More than just tax

New addition to the family? Buying or selling a business? Getting divorced? Planning for retirement? Preparing or updating your Will?

These are all important events in life that have consequences far into the future. And while you can't predict the future, you can prepare for it.

EPR is here to help you plan wisely for today and tomorrow. We provide a full range of services for individuals that includes estate and will planning, valuations, succession planning, tax and retirement planning.

There is far more to EPR than just tax. Professional advice tailored to your specific needs and personal goals is just a phone call away. Call us today for an appointment.

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Children's Fitness Tax Credit

Do you have a budding Olympian in your household? The Government announced a Children's Fitness Tax Credit program in 2007 to encourage **all children** to be involved in sport and physical activity, while helping families offset some of the costs of registration and membership.

This program allows parents to claim up to **\$500 in expenses per year**, for each child under 16 who is registered in an eligible program of physical activity.

A wide variety of children's programs are eligible for the tax credit including hockey, soccer, karate, football, basketball, folk dancing, swimming, hiking, horseback riding and many sailing activities. To be eligible, programs must meet specific criteria and receipts from the organizations providing the programs must be obtained.

To be considered eligible, CRA requires that programs are ongoing, either a minimum of 8 consecutive weeks, or 5 consecutive days long for children's camps. They must also be supervised programs suitable for children that include a significant amount of **physical activity** leading to improved muscular strength, endurance flexibility or balance. Fees paid for accommodation, food, or travel that may be part of the program are not eligible and must be subtracted from the total registration fees paid.

Families may still be able to claim the cost of a child's membership in a club, association or similar organization (up to the \$500 maximum), if more than **50% of the activities** offered by the organization include a significant amount of physical activity. Activities that do not qualify include those that are part of a regular school program, activities that are unsupervised or self-directed, or activities where riding in, or on, a motorized vehicle is an essential part of the activity.

CRA provides a simple checklist to help parents determine whether or not a program qualifies for the Children's Fitness Tax Credit. This can be found on the CRA website by searching under 'Children's Fitness Tax Credit Eligibility Checklist' at www.cra-arc.gc.ca.

Like similar tax credit programs, parents apply for the credit when filling their personal tax returns. If you have any questions about eligibility, please talk with an EPR tax professional.

Foreign Property

Canadian residents who hold foreign property **outside** of Canada with a total cost amount of more than \$100,000 must file a Form T1135, 'Foreign Income Verification Statement' annually with their tax return.

CRA requires that all income earned at home and abroad is reported by residents on their tax returns. Total income also includes any taxable gain/loss on the disposition of any foreign property. For tax purposes, foreign property includes,

- real estate situated outside of Canada (excluding vacation property), and other income-earning foreign property investment
- precious metals, gold certificates and futures held outside Canada
- an interest in, or a right to any specified foreign property
- funds deposited in foreign bank accounts, or intangible property deposited or held outside Canada, such as shares of Canadian companies deposited with a foreign broker
- interests of units in non-resident mutual fund trusts (If the mutual fund is invested entirely in foreign securities but the mutual fund trust itself is resident in Canada, a T1135 does not have to be filed)

Foreign investment property does **not** include foreign investments held in RRSP's, personal-use property (any property used mainly for personal use and enjoyment, such as a vehicle, vacation property, jewelry, artwork, etc), or assets or property used in the course of carrying on an active business (such as a business inventory, or the equipment and building used in a business).

Where there is jointly-owned foreign property, the requirement to file a T1135 is determined by the amount contributed by each person. For example, if a husband and wife have a joint foreign bank account and other foreign property with a total cost of \$180,000, and each contributed \$90,000 of the total cost, neither would have to file a T1135. But if either of them contributed more than \$100,000, that individual would have to file a Form T1135 with their tax return.

If the T1135 is late, or not filed, individuals may be subject to significant penalties. If unreported income is found as a result of a review or an audit by CRA, individuals will have to pay the resulting taxes plus interest and penalties.



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